



Mandalay Resources Corporation Announces Second Quarter 2016 Financial Results and Quarterly Dividend

TORONTO, ON, August 11, 2016 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) today announced revenue of \$54.2 million, adjusted EBITDA of \$22.1 million and consolidated net income before special items of \$5.2 million, or \$0.01 per share, for the second quarter of 2016. The Company's unaudited consolidated interim financial results for the three months ended June 30, 2016, together with its Management's Discussion and Analysis ("MD&A") for the corresponding period, can be accessed under the Company's profile on www.sedar.com and on the Company's website at www.mandalayresources.com. All currency references in this press release are in U.S. dollars except as otherwise indicated.

In accordance with the Company's dividend policy, Mandalay's Board of Directors declared a quarterly dividend of \$3.25 million (6% of the trailing quarter's gross revenue), or \$0.0072 per share (CDN\$0.0094 per share), payable on September 1, 2016, to shareholders of record as of August 22, 2016.

The Company's revenue rose to \$54.2 million from \$50.8 million in the second quarter of 2015 and adjusted EBITDA rose proportionately to \$22.1 million from \$18.2 million as a result of a strong operating quarter. Operational income before tax similarly increased to \$13.5 million from \$9.7 million in the prior year quarter. Consolidated net income, however, decreased to \$3.6 million from \$4.4 million in the second quarter of 2015 due to a combination of higher taxes and special items. Current taxes rose to \$1.8 million in the current quarter from \$0.4 million a year ago now that Costerfield has exhausted its tax loss carryforwards and is fully taxable on its earnings. Current quarter results also include the recognition of a \$1.5 million deferred tax expense related to the Company's acquisition for cancellation of the Cerro Bayo royalty in the first quarter of 2016.

Commenting on second quarter 2016 financial results, Dr. Mark Sander, President and CEO of Mandalay, noted, "Mandalay generated strong revenue and adjusted EBITDA in the second quarter of 2016. Total production in the current quarter was 39,653 ounces of gold equivalent, only slightly less than the year-ago quarter production of 40,717 ounces of gold equivalent. Cash cost of production was slightly higher in the current quarter than in the second quarter of 2016 (\$811 per ounce gold equivalent vs \$771 per ounce gold equivalent in the year ago period). Therefore, the stronger financial results are due mostly to higher metal prices than in the second quarter of 2015. We ended the quarter with \$45.7 million in cash and cash equivalents, up from \$40.7 million at the beginning of the quarter, largely due to an increase in EBITDA."

Dr. Sander continued, "During the second quarter of 2016, Costerfield continued its excellent operational and financial performance, producing its second highest quarterly total of 17,023 ounces of gold equivalent, at its second lowest cash cost of \$530 per ounce of gold equivalent

and an all-in cost of \$772 per ounce of gold equivalent. Having completed the major capital items in the current life of mine plan at Costerfield, the operation now generates substantial free cash flow for the Company each quarter. We are working to extend the mine life through drilling lodes below the King Cobra fault, approximately 100 metres deeper than the current Cuffley workings, and by applying recent, sustainably lower operating costs to evaluation of resources already drilled in the Brunswick lode adjacent to the plant. Proceeds from our recent equity financing (see Mandalay July 26, 2016, press release) will be used in part to extend and infill resources in both Cuffley and Brunswick with the goal to increase mine life as much as possible by the end of the year.”

Dr. Sander added, “Our grade control program at Björkdal continued to demonstrate success in the second quarter, during which we processed an average mill-reconciled grade of 1.43 grams per tonne gold, a record under Mandalay ownership. As a result, the mine delivered gold production of 12,648 ounces, also a record under Mandalay ownership. Despite record production, cash production cost rose to \$821 per gold ounce, up 5% from the same quarter in the year prior. This is due largely to a rise in stripping ratios in the open pit and the increased operating development rate underground.

“We expect a further rise in average mill grades in the coming months and quarters from three key improvements. First is improving the developed state of the underground mine through continuing capital development at the target 200 meters per month rate; this is expected to open up more working faces at any given time to access veins above cutoff grade at a higher rate. Furthermore, we are planning to modestly reduce the cross sectional areas of both capital and on-vein development to shorten cycle times, reduce costs and improve development grades through lower dilution. Second is upgrading our open pit grade control process to include systematic channel sampling of veins exposed on the floor of mined benches to understand in more detail the distribution of grades in the bench below. Finally, continuing results of our pilot test of optical ore sorting suggests we can significantly upgrade low-grade material, incurring acceptable gold losses, so as to put an effective floor on the grade of material sent directly to the mill.

“Cerro Bayo production during the quarter was 3,818 ounces gold and 462,462 ounces silver, significantly lower, as expected, than in the second quarter of 2015 (5,361 ounces gold and 597,489 ounces silver) due to the limited developed state of the mine that we have previously disclosed. While mining and processing costs reached record lows in the current quarter, the low head grade of mined ore inevitably caused higher cash cost per ounce of production. We have continued developing the new Delia SE and Coyita mines and stoping has begun in both. An underground development contractor was mobilized to the Coyita mine, where the goal is to accelerate capital development with the objectives of first, opening up more working faces and faster, as the ramp descends in the northwest end of the vein and, second, tunneling under Laguna Verde to access the high-grade Coyita SE reserves as quickly as possible. These efforts are expected to result in improved metal production rates and lower unit production costs by the fourth quarter of this year and into 2017.

“Finally, we continued advancing our Challacollo development project during the quarter, completing a geophysical survey that has outlined significant new exploration targets while we await permission to drill for a new, acceptable source of water, which would be used for the eventual mine. We plan to drill these targets in the second half of 2016.”

Dr. Sander concluded, “At this time, midway through 2016, Mandalay wishes to highlight with respect to its guidance issued previously (see Mandalay November 5, 2015, press release) that it expects to produce at the upper end of the guidance range with respect to gold for the full year; at or above the upper end of its guidance range with respect to antimony; and below the low end of the guidance range with respect to silver. This metal-by-metal variability, due to the overperformance of Costerfield and underperformance at Cerro Bayo discussed above, is expected to balance out at the low end of total Company gold equivalent production guidance for the year. As well, the Board has approved unbudgeted exploration programs at all sites that will increase guided 2016 exploration spending by approximately \$4 million, and the Board approved an unbudgeted flotation expansion project at Björkdal projected to cost approximately \$3.7 million.”

Second Quarter 2016 Financial Highlights

The following table summarizes the Company’s financial results for the three and six months ended June 30, 2016 and 2015:

Particulars	Three months Ended June 30, 2016	Three months Ended June 30, 2015	Six months Ended June 30, 2016	Six months Ended June 30, 2015
	\$'000	\$'000	\$'000	\$'000
Revenue	54,166	50,793	104,608	107,572
Adjusted EBITDA*	22,127	18,240	39,389	42,507
Income from mine operations before depreciation and depletion	24,239	19,878	43,255	45,663
Adjusted net income before special items*	5,154	5,073	7,781	17,557
Consolidated net income	3,611	4,400	4,760	16,162
Cash capex	11,472	14,331	24,529	27,332
Total assets	355,100	361,424	355,100	361,424
Total liabilities	142,996	139,537	142,996	139,537
Adjusted net income per share*	0.01	0.01	0.02	0.04
Consolidated net income per share	0.01	0.01	0.01	0.04

* Adjusted EBITDA, adjusted net income before special items and adjusted net income per share are non-IFRS measures. See “Non-IFRS Measures” at the end of this press release.

The increase in revenue and adjusted EBITDA during the second quarter of 2016 relative to the second quarter of 2015 were principally due to higher realized metal prices. (9.1% higher for

gold, 22.0% higher for silver, and 18.4% lower for antimony). Compared to the second quarter of 2015, the strengthening of US dollar against the operational country exchange rates positively impacted the Company's earnings - the Australian dollar declined by 4% in the second quarter of 2016 versus the same quarter of prior year, the Chilean peso declined by 10% and the Swedish krona appreciated by 2%. Petroleum prices were lower by 12% in US dollar terms.

During the second quarter of 2016, cash capex was approximately \$2.9 million lower than in the same quarter of 2015. Virtually all of this decrease was due to completion of the life of mine capital program at Costerfield during the third quarter of 2015.

During the three months ended June 30, 2016, the Company distributed a total of \$3.0 million in dividends.

Second Quarter 2016 Operational Highlights

The table below summarizes the Company's capital expenditures and operational unit costs for the three and six months ended June 30, 2016 and 2015.

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
	\$'000	\$'000	\$'000	\$'000
Cerro Bayo: Silver produced (oz)	462,462	597,489	977,678	1,188,243
Cerro Bayo: Gold produced (oz)	3,818	5,361	8,154	10,366
Cerro Bayo: Cash cost per oz silver produced net of gold byproduct credit	\$8.45	\$7.61	\$9.26	\$8.63
Cerro Bayo: Site all-in cost* per oz silver produced net of gold byproduct credit	\$16.54	\$14.84	\$17.84	\$16.00
Costerfield: Gold produced (oz)	12,252	9,563	24,685	19,979
Costerfield: Antimony produced (t)	962	842	1,962	1,811
Costerfield: Gold equivalent produced (oz)	17,023	15,638	33,989	32,505
Costerfield: Cash cost* per oz gold equivalent produced	\$530	\$578	\$521	\$572
Costerfield: Site all-in cost* per oz gold equivalent produced	\$772	\$795	\$756	\$784
Björkdal: Gold produced (oz)	12,648	11,494	24,833	23,813
Björkdal: Cash cost* per oz gold produced	\$967	\$884	\$897	\$840
Björkdal: Site all-in cost* per oz gold produced	\$1,212	\$1,110	\$1,138	\$1,061
Company gold equivalent produced (oz)	39,653	40,717	79,618	82,993
Company average cash cost* per oz gold equivalent	\$811	\$771	\$781	\$761

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Company average all-in cost* per oz gold equivalent	\$1,095	\$1,044	\$1,069	\$1,031
Capital development	4,609	8,245	14,505	15,136
Capital purchases	4,166	4,276	6,956	8,536
Capital exploration	3,103	2,078	5,668	4,233

*Cash cost and all-in cost are non-IFRS measures See "Non-IFRS Measures" at the end of this press release.

Costerfield gold-antimony mine, Victoria, Australia

In the second quarter of 2016, Costerfield continued to mine and process high volumes of ore at low unit costs (36,818 tonnes mined at \$146 per tonne and 39,548 tonnes processed at \$37.44 per tonne). This excellent performance led to production of the second highest volume of gold equivalent (17,023 ounces gold equivalent) since Mandalay reopened the mine in late 2009, at the second lowest cash operating cost (\$530 per ounce gold equivalent) since reopening. Spending on sustaining capital continued at a low rate, as major capital programs necessary for the current life of mine plan were completed in the third quarter of 2015.

Björkdal gold mine, Sweden

At Björkdal, the second full quarter of disciplined mining according to the Company's underground on-vein grade control protocol continued the first quarter success. For five of the total seven months of grade-controlled mining practiced so far, on-vein development grades have averaged over 1.5 grams per tonne. As a consequence, the average milled head grade of 1.43 grams per tonne gold in the second quarter of 2016 set a record high under Mandalay ownership, significantly higher than the 1.30 grams per tonne of gold in the second quarter of 2015. This record feed grade enabled production of 12,648 ounces gold in the quarter, likewise a record under Mandalay ownership.

Average mining costs rose from \$19.13 per tonne ore fed to the plant in the second quarter of 2015 to \$25.51 per tonne in 2016. Mining cost per tonne increased in the underground mine as additional spending for grade control mapping, sampling and assaying and selective mining were incurred and total mining costs were spread over fewer tonnes due to low-grade on-vein development material being discarded in accordance with the Company's grade improvement plan. Mining cost per tonne moved in the open pit was well controlled, while the increased stripping ratio led to higher cost per tonne. Processing costs increased modestly from \$6.55 per tonne in the second quarter of 2015 to \$7.72 per tonne for the corresponding quarter in 2016, while the plant recovery remained consistent at slightly over 88% of contained gold.

Cerro Bayo silver-gold mine, Patagonia, Chile

In the second quarter of 2016, the Cerro Bayo delivered lower grades to the mill than in the previous year, resulting in lower silver and gold production. These low grades are a consequence of the deepest levels in the now-closed Dagny, Fabiola, and Yasna veins having delivered less ore tonnage than planned, as previously reported. Mining was terminated on these veins earlier than planned, before development and stoping had reached a steady state on the new Delia SE and Coyita veins. A mining contractor has been mobilized to focus on accelerating development on

Coyita, and the Company expects grades and production to recover in the fourth quarter of 2016 and on into 2017.

The impact of lower production and sales during the current quarter at Cerro Bayo was partially offset by excellent control of operating costs and favorable exchange rate movement that resulted in record low unit mining costs (declining to \$42.54 per tonne from \$55.07 per tonne in 2015) and record low unit processing costs (declining to \$18.63 per tonne from \$22.30 per tonne in 2015). The net outcome was fewer ounces of silver produced at higher cash cost net of gold credits in the current quarter (462,462 ounces of silver at \$8.45 per ounce) than in the second quarter of 2015 (597,489 ounces of silver at \$7.61 per ounce). All-in cost per silver ounce net of gold credits was \$16.54 in the second quarter of 2016, versus \$14.84 in the corresponding quarter of 2015.

Challacollo, Chile

At the Challacollo silver-gold project in northern Chile, Mandalay completed a geophysical survey that highlighted potential future exploration targets while it awaited approval of water drilling permits expected in the first half of 2017. Details of this survey are contained in the press release of July 25, 2016.

La Quebrada and Lupin

The La Quebrada copper-silver project in central Chile and the Lupin gold mine in Nunavut, Canada, both currently held for sale, remained on care and maintenance through the period.

Conference Call

Mandalay's management will be hosting a conference call for investors and analysts on August 12, 2016 at 8:00 am (Toronto time).

Analysts and interested investors are invited to participate using the following dial-in numbers:

Participant Number:	(201) 689-8341
Participant Number (Toll free):	(877) 407-8289
Conference ID:	13642984

A replay of the conference call will be available until 23:59 pm (Toronto time), August 26, 2016 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number:	(877) 660-6853
Encore ID:	13642984

For further information:

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About Mandalay Resources Corporation:

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia, Chile and Sweden, and a development project in Chile. The Company is focused on executing a roll-up strategy, creating critical mass by aggregating advanced or in-production gold, copper, silver and antimony projects in Australia, the Americas, and Europe to generate near-term cash flow and shareholder value.

Forward-Looking Statements

This news release contains "forward-looking statements" within the meaning of applicable securities laws, including guidance as to anticipated gold, silver, and antimony production and production costs in the future. Readers are cautioned not to place undue reliance on forward-looking statements. Actual results and developments may differ materially from those contemplated by these statements depending on, among other things, changes in commodity prices and general market and economic conditions. The factors identified above are not intended to represent a complete list of the factors that could affect Mandalay. A description of additional risks that could result in actual results and developments differing from those contemplated by forward-looking statements in this news release can be found under the heading "Risk Factors" in Mandalay's annual information form dated March 30, 2016 a copy of which is available under Mandalay's profile at www.sedar.com. Although Mandalay has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Non-IFRS Measures

This news release may contain references to adjusted EBITDA, adjusted net income, cash cost per saleable ounce of gold equivalent produced, cash cost per saleable ounce of silver produced net of gold credits, site all-in cost per saleable ounce of gold equivalent produced, site all-in cost per saleable ounce of silver produced net of gold credits, all-in costs and cash capex, all of which are non-IFRS measures and do not have standardized meanings under IFRS. Therefore, these measures may not be comparable to similar measures presented by other issuers.

Management uses adjusted EBITDA as a measure of operating performance to assist in assessing the Company's ability to generate liquidity through operating cash flow to fund future working capital needs and to fund future capital expenditures, as well as to assist in comparing financial performance from period to period on a consistent basis. Management uses adjusted net income in order to facilitate an understanding of the Company's financial performance prior to the impact of non-recurring or special items. The Company believes that these measures are used by and are useful to investors and other users of the Company's financial statements in evaluating the Company's operating and cash performance because they allow for analysis of our financial results

without regard to special, non-cash and other non-core items, which can vary substantially from company to company and over different periods.

The Company defines adjusted EBITDA as earnings before interest, taxes, non-cash charges and finance costs. For a detailed reconciliation of net income to adjusted EBITDA, please refer to page 14 of management's discussion and analysis of the Company's financial statements for the second quarter of 2016.

The Company defines cash capex as cash spent on mining interests, property, plant and equipment, and exploration as set out in the cash flow statement of the financial statements.

For Costerfield, saleable equivalent gold ounces produced is calculated by adding to saleable gold ounces produced, the saleable antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period. The total cash operating cost associated with the production of these saleable equivalent ounces produced in the period is then divided by the saleable equivalent gold ounces produced to yield the cash cost per saleable equivalent ounce produced. The cash cost excludes royalty expenses. Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. The site all-in cost is then divided by the saleable equivalent gold ounces produced to yield the site all-in cost per saleable equivalent ounce produced.

For Cerro Bayo, the cash cost per saleable silver ounce produced net of gold byproduct credit is calculated by deducting the gold credit (which equals saleable ounces gold produced times the realized gold price in the period) from the cash operating costs in the period and dividing the resultant number by the saleable silver ounces produced in the period. The cash cost excludes royalty expenses. The site all-in cost per saleable silver ounce produced net of gold byproduct credit is calculated by adding royalty expenses, accretion, depletion, depreciation, and amortization to the cash cost net of gold byproduct credit, dividing the resultant number by the saleable silver ounces produced in the period.

For Björkdal, the total cash operating cost associated with the production of saleable gold ounces produced in the period is then divided by the saleable gold ounces produced to yield the cash cost per saleable gold ounce produced. The cash cost excludes royalty expenses. Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. The site all-in cost is then divided by the saleable gold ounces produced to yield the site all-in cost per saleable gold ounce produced

For the Company as a whole, cash cost per saleable gold equivalent is calculated by multiplying the saleable quantities of gold, silver and antimony in the period by the respective average market price of the commodities in the period, adding the three amounts to get "total contained value based on market price", and then dividing that total contained value by the average market price of gold in the period. Average gold price in the period is calculated as the average of the daily LME PM fixes in the period, with price on weekend days and holidays taken from the last business day; average antimony price in the period is calculated as the average of the high and low Rotterdam warehouse prices for all days in the period, with price on weekend days and holidays taken from the last business day; average silver price in the period is calculated as the average of the daily London Broker's silver spot price for all days in the period, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.